HOW TO MEASURE WHAT MATTERS

How to end your KPI and performance measurement struggles and reach your goals sooner and with less effort.

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Don't have time to read every word? Spend 5 minutes scanning the headings and blue text.

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We measure to improve what matters.

As leaders, and strategy and performance professionals, we can sometimes forget that performance measurement isn't about filling up the KPI column in the strategic plan. It's not a bureaucratic hoop to jump through. Performance measurement is a deliberate approach to meaningfully quantify the results that matter, to reach our goals sooner and with less effort.

Performance measurement isn't a post-mortem; it's a health plan. To make our organisations healthier, and able to perform better, KPIs are useful only when they monitor the *journey* to better health, not just the destination.

It's much more useful in health to measure important health indicators regularly, to give us the opportunity to intervene before things get out of hand, to learn about what works best for us, and to enjoy the confidence that comes from seeing even small steps of improvement in the right direction. How's it any different in monitoring the health of business? Don't we need KPIs to tell us where things are heading, before they've gone too far the wrong way?

Measuring performance well increases our ROI.

The better we get at measuring performance, the greater return we get on our improvement initiatives. And to get better at performance measurement, most organisations need to move through several deliberate stages, to systematically undo a set of bad KPI habits that have unfortunately become entrenched as common KPI practice.

Getting the results that matter for the least effort is exactly what a high-performance organisation is. But common KPI practice continues to constrain organisational performance when it should liberate it. So unless we take a deliberate and proper approach to measuring performance, high-performance stays out of our reach.

If your organisation isn't performing with excellence what it exists to do, then its measurement approach is likely to be one of the shackles holding it back. Good measurement practice can be a powerful catalyst to shift the culture. That's why starting with an evaluation and improvement of your performance measurement approach can be the fastest and easiest way to liberate organisational performance.

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Our struggles with performance measurement first must end.

Almost every organisation – of all shapes and sizes and sectors around the world – struggles with performance measurement in very similar ways. If we can understand these common KPI struggles, we can find ways to fix them.

My research of several thousand organisations around the world over the last decade, and direct experience with every client over the last two decades, has convinced me that just about every organisation has the same struggles with measuring performance.

Which of the common KPI struggles do you have?

These are the most common struggles people around the world have with measuring performance:

- ☐ **We feel threatened by measures.** Problems are swept under the rug, data is manipulated, only effort is measured, not results. People don't enjoy it when measures shed a negative light on them.

- ☐ **We have seemingly immeasurable goals.** They are too intangible, too broad, too high-level, too visionary, and so they're too hard to anchor down with measures.

- ☐ **We have lame measures that aren't useful.** They count trivial things, or they're simply milestones of completing a task, or they're too vague to quantify.

- ☐ **People won't buy-in and own the measures.** The planning team devises the measures and then asks people to sign off on them. Then those same people don't want to implement or use them. They argue about data quality and measure validity – rather than using measures to improve performance.

- ☐ **Implementing measures costs too much time and effort.** The effort of collecting data, and getting too much, not enough, or in the wrong format. The effort of reporting measures, with no time for detailed analysis. And important measures end up being inconsistently or incorrectly calculated, or not implemented at all.

- ☐ **Our reports lack actionable insight.** They're bulky and ad-hoc in layout. They're hard to navigate and digest. They don't answer important questions. They're not used.

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☐ **We're stuck on the monthly variation-explanation rollercoaster.** Every month there are variations in our measures compared to last month, to the same month last year, to target. Frustratingly, every variation needs to be explained, and often we can't really find an explanation, and we feel like we're chasing our tails.

☐ **Our performance improvement efforts fizzle or fail.** People say they can't improve their results or hit their targets without more money or resources. Underperformance isn't their fault – it's their customers' unrealistic demands. Improvement efforts we do take responsibility for don't seem to elevate performance high enough or permanently.

Doesn't it stand to reason that, if we share a set of common struggles with measuring performance, it's likely there is an underlying set of common causes? As it turns out, yes there is. For any organisation that has one or more of the struggles listed above, we find one or more of the following habits in how they approach performance measurement…

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Bad KPI habits are the cause our KPI struggles.

Our performance measurement struggles are caused by bad habits that have somehow become common practice in performance measurement. People don't realise that these common practices are at the root of their struggles.

If we want more meaningful measures, with less effort, and more leverage to reach our targets, then we have to stop these bad habits and replace them with deliberate practices that really do work. So let's look at these bad habits, and consider some solutions to the struggles they cause us.

Bad Habit 1: Judging people with measures

The struggle of people feeling threatened by measures is caused by the bad habit of using measures to judge people's performance. When people feel that the measures are about them, they will understandably get defensive.

- They use factors outside their control as excuses

- They argue against the choice of measures

- They only want to measure their effort, not results

- They manipulate the measure to look good

All these behaviours sabotage performance, they never help it improve.

Fix: A performance measure is a tool in the hand, not a rod for the back.

What we need to do is reframe performance measures as tools to help people improve their processes. We want measures to be a tool in their hands, to proactively improve performance of the processes they work in. It will fail if measurement is used as a rod for their backs, to make them feel judged and falling short.

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So the first step in a good performance measurement approach needs to make sure people understand the real purpose of performance measurement – which is to help them improve the organisation's processes, not judge their personal performance.

Bad Habit 2: Writing goals with weasel words.

The struggle of goals seeming impossible to measure almost *always* comes back to the words that were chosen to write those goals. The worst words we can use are weasel words: accessibility, benefits, capacity, dynamic, efficient, fit-for-purpose, holistic, innovative, key, leveraged, outcomes, productivity, quality, reliability, sustainable, transparent, unique, wellbeing.

The problem with weasel words is they have different meanings to different people, in different contexts. They aren't specific and observable, so they can't be measured.

Fix: Write goals that a 5th-grader can understand.

We're not dumbing-down our strategy by writing it in plain language; language a 5th grader could understand. In fact, it takes much practice to write what we mean in the simplest words we can muster, without trivializing our goals.

If our goals can't paint a unified picture of our intended future in the minds of all the people who should buy in to it, then those goals won't be achieved, and won't be measured meaningfully.

So the second step in a good performance measurement approach needs to make sure that we start with clear, specific and measurable goals before we go searching for performance measures.

Bad Habit 3: Brainstorming measures.

One of the biggest causes of performance measures that are useless and irrelevant is the way we go about choosing them. The worst culprit is brainstorming. It's a creativity tool, designed to open up space to consider many and varied ideas. But choosing performance measures isn't a creative opening-up process. It's a deliberate narrowing-down process.

When we brainstorm measures we end up with:

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- Too many measures that are too hard to shortlist

- Measures that don't align strongly to our goals

- Non-measures: activities, data sources, milestones

- Nothing more powerful than what we already have

Fix: Evidence before measures: what you see, hear, feel, observe.

The key to good measures is not considering a wide variety of them, like brainstorming has us do. It's designing them based on the best evidence that would convince us the goal we're trying to measure is actually being achieved.

Real evidence has to be observable. So before we choose measures, we have to describe the evidence we'd see, or hear, or touch, or observe or detect. When we know the evidence, we can then quantify it. The most relevant and feasible quantifications of the evidence of our goals then become our measures.

And that's exactly what the third step in a good performance measurement approach will have us do: deliberately build our measures from the evidence that convinces us our goals are achieved.

Bad Habit 4: Not involving people in the creation of measures.

Getting people engaged in measuring performance is probably the toughest struggle of all. Its cause is very simple: not involving people properly and authentically in choosing, creating and using performance measures.

We're not saving time by not involving them. We're making sure we waste even more time later on, when we try to create and use those measures. So asking people to sign off on a list of KPIs isn't contribution or participation or involvement. It's an afterthought. But don't think you need to get *everyone* involved in *every step* of choosing, creating and using performance measures. There's another way.

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Fix: Ownership comes through contribution, not consultation.

We need to involve a representative group of people in the Measures Team that is developing measures for a strategy or a department or a business unit. We can't do it for them.

And for everyone else, we need to give them a fast and easy and open way to contribute to what the Measures Team is developing, during the process and not at the end. Sending them a list of KPIs to review and sign off won't work.

So the fourth step in a good performance measurement process will enable contribution from vast numbers of stakeholders, without eating up their time or boring them to tears.

Bad Habit 5: Rushing to dashboards & reports.

Our struggle with how much time and effort it costs to implement measures has its primary cause in our tendency to want a new dashboard or report, *right now*. We often don't even think about what it really takes to get a performance measure successfully into a performance report or dashboard. 'Successfully' means:

- It's a measure that people really want and need

- It has a single agreed and detailed formula

- The data is available

- It's clear how it links to strategy and other measures

Fix: Discipline brings the right measures to life, in the right way.

There are a few things we need to be disciplined about when we implement our measures. One is the description of each measure. Without this being clear and detailed, we risk people having different ideas of what exactly is being measured.

Another is the calculation of each measure. Measures can be quantified differently – as percentages or totals or averages, for example – and this quantification formula must be kept consistent where ever the measure is reported and used. A few other important things to be disciplined about include the measure's data sources, signal interpretation and ownership.

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So the fifth step in a good performance measurement process must make it essential that each performance measure is defined in enough detail to implement it correctly and consistently.

Bad Habit 6: Knee-jerk reacting to month-to-month comparisons.

Our struggle of feeling like we're riding a monthly variation-explanation rollercoaster has a cause that many people at first won't accept. It seems so very innocent and correct: comparing this month's performance to last month's performance, to decide if things are getting better or worse. It *is* a bad habit though, as it assumes that two points of data – two values of a performance measure – are enough to draw conclusions about the size of change in a measure over time.

Our measure values have their own unique amount of variability, more than a sample of two points can ever help us understand. We can't ignore variability when we interpret our measures, because to ignore it means we'll often mistake it for a signal of change, when there really isn't any true change at all.

There are better ways to get true signals of change from our measures, than misplacing our trust in point-to-point comparisons.

Fix: Statistical thinking helps us see signals in the noise.

A better practice is to focus on patterns in the variability of a measure over time. *Do not* focus on the individual measure values.

When we use the right statistical method – a special kind of time series chart called an XmR chart – we can use simple, unambiguous and statistically valid rules to quickly detect real signals in our measures. We'll stop knee-jerk reacting to random variation.

So the sixth step in a good performance measurement process is the use of proper statistical methods and statistical thinking so it's fast and easy and accurate to truly measure the size of the gap between as-is performance and to-be performance, and when that gap truly is changing.

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Bad Habit 7: Cluttered, bloated performance reports.

Our struggle with performance reports and dashboards that lack actionable insights is caused by how those reports are designed. Sure, you have to have the right measures in those reports, but even if you do have the right measures, the visual design of reports still prevents those actionable insights from breaking through.

What we typically see in reports and dashboards are things like:

- Lots of tables and figures

- A large variety of graph types and dials and gauges

- A wide variety of quasi-relevant detail

- A copious amount of information

- Gratuitous use of colour

- Ad hoc layout and arrangement of content

These features make a report that is hard to navigate, too time-consuming to digest, and too diluted to notice the actionable insights.

Fix: Performance reports need answer only 3 questions.

There are several principles of useful and usable performance report or dashboard design, but one of the quickest and simplest of these is to apply a filter to the type of information that is allowed to be included.

That filter is a set of three questions that every performance report should answer:

- What is performance doing?

- Why is performance doing that?

- Now what should we do about it?

So the seventh step in a good performance measurement process will not treat report design lightly. It will ensure that reports are designed not only to answer these three questions, but also to make the report easy, fast and engaging to use.

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Bad Habit 8: Treating symptoms with funding, resourcing and education.

Most performance improvement efforts fizzle or fail, despite our best intentions. And the cause is simply that they are nothing more than Band-Aids:

- Allocating more money to build a bigger warehouse to improve on-time delivery of goods only treats the symptom of poor relationships with suppliers.

- Allocating more staff to a team because they always have a backlog and claim they don't have the resources to meet demand, only treats the symptoms of an inefficient work process.

- Educating our customers on having realistic expectations of delivery times, only treats the symptoms of a culture that isn't customer-centric.

This is effort misplaced. And the consequence is that performance will improve only a little, and only temporarily. The real problems will surface again.

Given our very real time and budget constraints, we need our performance improvement efforts to fix problems once and permanently.

Fix: Find and fix the root causes in business processes.

The most powerful way to elevate performance and reach our targets is to spend some time digging into our business processes to look for root causes. Root causes *are* the leverage to get very big improvements with very little effort.
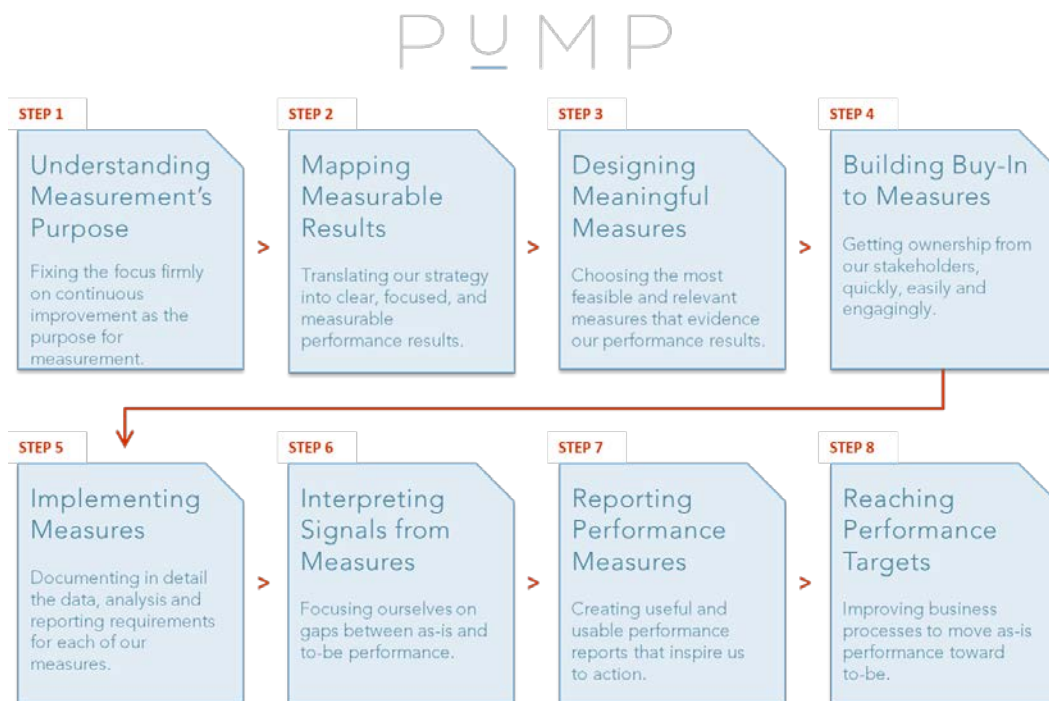
Business process design has the most influence in getting organisational results to improve. And thanks to the quality movement that began early last century, we have lots of tools to find this leverage and reach our targets. For example, methodologies like Lean Six Sigma which use a collaborative team approach to systematically reduce all kinds of waste, such as defects, overproduction, waiting or queuing, unused talent or skill, hand-overs, inventory, and gold-plating.

So the eighth step in a good performance measurement process will make sure that measures focus our efforts on fixing the root causes that almost always lie in the design of our business processes. Then we will reach our performance targets quickly and with the least investment.

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Performance measurement is an 8-step process.

Performance measurement is a process, not an event like brainstorming or shopping in a KPI library or hiring a consultant to develop them for us. Proper performance measurement is a series of necessary steps to select, implement and use measures that help us improve performance.

PuMP is a perfect example of a true performance measurement process. It's possibly the most rigorous, practical and engaging performance measurement approach known around the world.

PUMP

STEP 1	STEP 2	STEP 3	STEP 4
Understanding Measurement's Purpose Fixing the focus firmly on continuous improvement as the purpose for measurement.	**Mapping Measurable Results** Translating our strategy into clear, focused, and measurable performance results.	**Designing Meaningful Measures** Choosing the most feasible and relevant measures that evidence our performance results.	**Building Buy-In to Measures** Getting ownership from our stakeholders, quickly, easily and engagingly.

STEP 5	STEP 6	STEP 7	STEP 8
Implementing Measures Documenting in detail the data, analysis and reporting requirements for each of our measures.	**Interpreting Signals from Measures** Focusing ourselves on gaps between as-is and to-be performance.	**Reporting Performance Measures** Creating useful and usable performance reports that inspire us to action.	**Reaching Performance Targets** Improving business processes to move as-is performance toward to-be.

PuMP stands for 'Performance Measurement Process'. A client nicknamed it PuMP, rightly explaining that the 'u' meant that making it happen is up to 'you'. That's because performance measurement must be led from where the energy and know-how is, now. If we wait for it to be led from the top, or led by someone else, it just won't happen.

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PuMP is a collaborative methodology, that's at least as much about people and culture and mindset as it is about meaningful numbers. So implementing the PuMP Blueprint means leading small teams through eight deliberate steps to measure and reach their own goals, in alignment with the organisation's strategy and purpose:

STEP 1 Understanding Measurement's Purpose. We begin by helping the team understand what good measurement means and how to do it properly, avoiding the most common struggles and problems, and engaging them from the start.

STEP 2 Mapping Measurable Results. Before we get into measures, the team translates their goals or objectives into measurable performance results, and link and align them to the rest of the organisation's strategy.

STEP 3 Designing Meaningful Measures. With no need for brainstorming, the team follows a five-step measure design technique to carefully craft measures that are the most relevant and feasible evidence their performance results.

STEP 4 Building Buy-in to Measures. Before implementing the measures, the team involves a wide variety of stakeholders in a very easy, fast and social event. It builds buy-in and excitement, both for measuring performance in general and for their new measures in particular.

STEP 5 Implementing Measures. With a set of well-supported measures, the team details and documents exactly how each of them should be implemented, in a Corporate Performance Measure Dictionary.

STEP 6 Interpreting Signals from Measures. Step 7 uses the PuMP Interpreting Measures technique to make the true signals of change in the team's performance measures obvious, statistically valid, and insightful.

STEP 7 Reporting Performance Measures. To communicate and monitor their measures, the team follows specific principles to produce performance reports that answer the three questions they should answer, *and* that are engaging and easy to navigate, to make priority insights jump off the page.

STEP 8 is Reaching Performance Targets. In Step 8, the PuMP Using Measures technique helps us choose and implement performance improvements that target the root causes, moving performance to its target, for the least effort and hence a high return on investment (ROI).

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Proper performance measurement has a huge ROI.

If just one team uses PuMP to measure something important, they can make a huge difference. For example, Steve Silvers worked in the Federal Aviation Administration in the US. His team used PuMP to reduce the time to place failed flight controllers in new positions, and made sensational improvements:
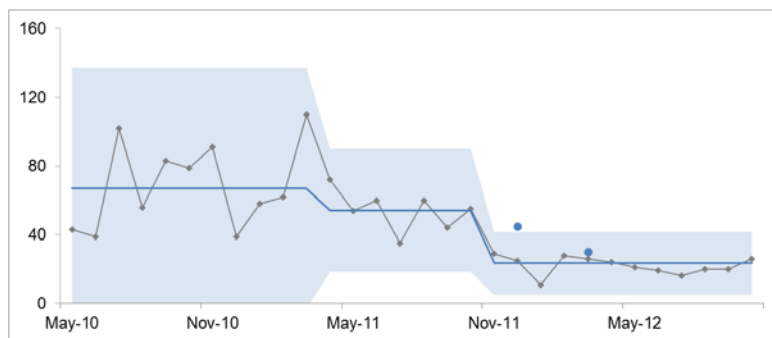
The team reduced the time from 67 days on average to 23 days and reduced the variability too. They invested $12,000 for training and staff time, and saved $500,000 in the first 7 months. That's a 40 times return on investment. And just one example of a very straightforward use of measuring well to reach a target.

When you practice performance measurement deliberately, you facilitate:

- Improvements that are bigger and faster and lasting

- Improvements that align to our strategic direction

- Improvements that get people to collaborate, and own their results

PuMP does this through measurement that helps us focus on what matters most, gives us feedback about the reality of performance, and acts as a fulcrum so we can get the most leverage in our improvement efforts.

What will your 40-x-ROI target be? To get started, gather together people who care about measuring what matters and measuring it well, and give them the know-how. Call them a Performance Measurement Community of Practice. And help them begin the journey to a high-performance organisation with quick wins like Steve Silvers' that lay a foundation culture and capability for hitting high-ROI targets.

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About Stacey Barr

Stacey Barr is a globally recognised specialist in organisational performance measurement. She discovered that the struggles with measuring business performance are, surprisingly, universal. The biggest include hard-to-measure goals, trivial or meaningless measures, and no buy-in from people to measure and improve what matters. The root cause is a set of bad habits that have become common practice.

Stacey created PuMP®, a uniquely methodical and practical performance measurement approach. PuMP replaces the bad KPI habits with techniques that end the common KPI struggles. PuMP makes measuring performance faster, easier, engaging, and meaningful.

Stacey is author of Practical Performance Measurement and Prove It!, publisher of the Measure Up blog, and her content appears on Harvard Business Review's website and in their acclaimed ManageMentor Program.
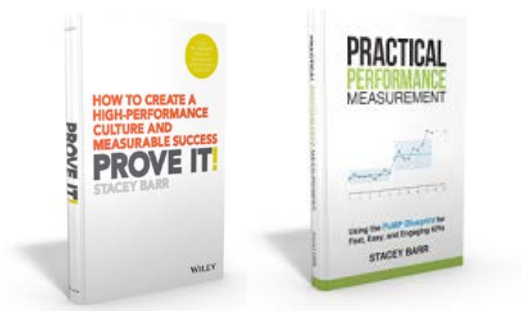
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